Investopia

Page 1 = How to invest in 6 steps:

Step 1) Deciding the best way for you to be investing in stocks

There are multiple ways to invest in the stock market. Choosing one of the main three ways depending on what type of investing you want to do is important.

1. Investing on your own

If you want to be fully in control and to choose the stocks on your own this is the method for you.

1. Invest in an Expert

If you want an expert to manage the whole process for you, you can look into a robo-advisor.

1. Employers 401(k)

This is the most common way to start investing. It teaches you to continue making small contributions to it over the year and to focus long-term.

Step 2) Choose an investing account

The most common way to start is by opening a online brokerage account offering the quickest and least expensive way to start. This gives you the ability to invest in stocks and open an individual retirement account, also known as an IRA.

Another option would be to open a robo-advisor account. They will doo all the hard work for you and only charge around 0.25% of your account balance.

The last option is to hire a human investment manager. They do everything the robo-advisor would do for you but at a much higher cost.

Step 3) Difference between investing in stocks and funds

Individual stocks: If you are interested in investing in a specific company such as Tesla, then this is the way to do it. You can buy one or multiple shares in a stock. A single stocks price can change much more drastically than any funds and therefore have higher risks, but potential to make money quicker.

Stock Mutual funds: [Mutual funds](https://www.nerdwallet.com/blog/investing/how-to-invest-in-mutual-funds/) let you purchase small pieces of many different stocks in a single transaction. Index funds and ETFs are a kind of mutual fund that track an index

Step 4) Set a budget

To invest you do not even need more than $100. There are stocks worth less than a dollar you can invest into if you want. Mutual funds often have a minimum of $1000. Depending on your own financial standpoint you should only ever invest what you are willing to lose. The market is volatile and you can never be sure what way stocks will go.

Step 5) Focus on long term

Unless you are looking to day trade, which is not recommended for beginners, you should learn to focus long term. Many people when they lose any money get scared and pull out. Stocks only go up so if you stay in it for along enough, you will make money.

Step 6) Manage your portfolio

You should never invest all your money into one stock. Spreading your money out will help prevent losing money.

Page 2 = Major stock investing strategies

There are five major investing strategies:

1. General trading

This includes paying attention to the market and trying to predict the moves of the market. This includes spreading out investment purchases to reduce the impact of the market volatility.

1. Selective trading

This includes choosing specific stocks that you predict will out perform the market with a certain time frame. In order to do this investors usually examine market changes or government regulation changes.

1. Long-Pull Selection

This includes finding stocks that will do very well over multiple years and are also known as growth stocks. These are usually newer companies that have a lot of room to grow.

1. Bargain Purchases

This includes finding the stocks that are currently selling below their true value. The most common way for people to do this is by using a technique called price-to-earnings ratio. This is just dividing a company’s share price by its earnings per share.

1. Buying the dip

This is what most people think of when people say they day trade. This is buying a stock when the price of it is low then selling it when it is high. Unfortunately, for most people they buy when prices are high and rising and then sell when stocks are low and dipping. This is because people get scared of losing more money and get to greedy when the price rises.

Page 3 = Option trading

What is an option?

An option is a contract giving the buyer the right, but not obligation, to buy or sell the underlying asset at a specific price on or before a certain date.

How do they work?

Options is a more advanced way of trading that allows potentially for more rewards.

Call options: A call option gives the holder the right to buy a stock

When you make a call you are expecting the price of the stock to increase by certain date.

Put Options: A put option gives the holder the right to sell a stock

When you make a put you are expecting the price pf a stock to decrease by a certain date.

Expiration date: The expiration date is the day you decide on your contract for it to expire. This means you have until this date to sell your option or it will render worthless.

Why use options?

Options are attractive because they provide leverage. They give you the ability to by the stock for just dollars when the stocks are worth hundreds.

<https://www.investopedia.com/options-basics-tutorial-4583012>

<https://www.thebalance.com/value-investing-strategies-stocks-357157>

<https://www.nerdwallet.com/article/investing/how-to-invest-in-stocks>